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**THIRD JUDICIAL DISTRICT
JUDICIAL CLERK FUND
PARISHES OF
LINCOLN AND UNION, LOUISIANA**

**FINANCIAL STATEMENT
DECEMBER 31, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JUL 25 2012**

**THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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DON M. MCGEHEE
(A Professional Accounting Corporation)

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Ruston, Louisiana 71273-1344

INDEPENDENT AUDITOR'S REPORT

Third Judicial District Judicial Clerk Fund
100 W. Texas Ave., 3rd Floor
Ruston, Louisiana 71270

I have audited the accompanying financial statements of the governmental activities and each major fund of the Third Judicial District Judicial Clerk Fund, a component unit of the Lincoln Parish Police Jury, as of and for the year ended December 31, 2011, which collectively comprise the Judicial Clerk Fund's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Judicial Clerk Fund's management. My responsibility is to express opinions on these financial statements based on my audit.

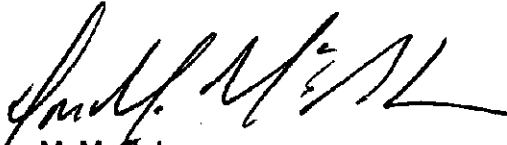
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Third Judicial District Judicial Clerk Fund as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 6 and pages 21 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

PAGE TWO

In accordance with Government Auditing Standards, I have also issued my report dated June 30, 2012, on my consideration of the Judicial Clerk Fund's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in black ink, appearing to read "Don M. McGehee", is written over the printed name.

Don M. McGehee
Certified Public Accountant
June 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD JUDICIAL DISTRICT COURT

**LINCOLN AND UNION PARISHES
STATE OF LOUISIANA**

JUDGES' OFFICE
P.O. Box 388
Ruston, LA 71273-0388

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JUDGES' OFFICE
Courthouse, 2nd Floor
Farmerville, LA 71241

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MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

Our discussion and analysis of the Judicial Clerk Fund's financial performance provides an overview of the financial activities for the year ended December 31, 2011. It is based upon currently known facts, decisions, and conditions. Please read it in conjunction with the financial statements which begin on page 8.

Basic Financial Statements

The basic financial statements include government-wide and fund financial statements. The government-wide statements consist of a Statement of Net Assets and a Statement of Activities and provide information about the financial activities of our Office as a whole. The government-wide statements present a long-term view of our finances. Fund financial statements consist of the respective fund's balance sheet and the fund's statement of revenues, expenditures and changes in fund balance, if applicable. The fund statements tell how our services were financed in the short-term and what remains for future spending. The primary difference between the fund and government-wide statement presentation methods is that expenditures for capital assets are expensed in the fund financial statements but capitalized and depreciated in the government-wide statements.

Statement of Net Assets and Statement of Activities

One of the most important questions asked about our finances is, "Is the Judicial Clerk Fund as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about our Office as a whole and about our activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is a method similar to accounting used by most private-sector companies. All revenues and expenses of the current year are reported under this method regardless of when cash is received or disbursed.

These two statements report the Judicial Clerk Fund's net assets and the changes in the net assets. You can think of net assets - the difference between assets and liabilities - as one way to measure the financial health, or financial position, of the Judicial Clerk Fund. Increases/(decreases) in our net assets are one indicator of whether our financial health is improving/(deteriorating).

We report the financial activity of all services provided by us in the Statement of Net Assets and Statement of Activities. Expenses primarily include salaries and related benefits, office expenses, and outside services. Fees received from the defendants, grants and other assistance, and hearing officer fees received on child support payments through the State of Louisiana finance most of our activities.

Government-Wide Financial Analysis

As noted above, net assets may serve as a useful indicator of an entity's financial position. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the governmental activities of the Judicial Clerk Fund.

Table 1
Total Net Assets

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Current Assets	\$ 693,743	\$ 763,507	\$ (69,764)	(9)%
Capital Assets	<u>22,994</u>	<u>22,738</u>	<u>256</u>	1 %
Total	<u>716,737</u>	<u>786,245</u>	<u>(69,508)</u>	(9)%
Current Liabilities	<u>47,486</u>	<u>62,422</u>	<u>(14,936)</u>	(24)%
Net Assets:				
Investment in Capital Assets	22,994	22,738	256	1 %
Unrestricted Net Assets	<u>646,257</u>	<u>701,085</u>	<u>(54,828)</u>	(8)%
Total Net Assets	<u>\$ 669,251</u>	<u>\$ 723,823</u>	<u>\$ (54,572)</u>	(8)%

At the close of the most recent year, assets exceeded liabilities by \$669,251, a 8% decrease from the prior year. Unrestricted net assets, which is the part of net assets that can be used to finance the day-to-day operations of the District Clerk's Fund without constraints, decreased \$54,828. The most significant changes from the prior year were a decrease in due from other governmental units of \$40,423 and a decrease in cash of \$30,899.

Investment in capital assets (e.g. land, buildings, machinery and equipment, etc.) of \$22,994 is used to provide services to citizens; consequently, these assets are not available for future spending.

Table 2
Change in Net Assets

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Revenues				
Program Revenues:				
Fees	\$ 231,918	\$ 222,773	\$ 9,145	4 %
Intergovernmental	317,378	366,140	(48,762)	(13)%
Drug Court Revenues	39,818	31,627	8,191	26 %
Grants and Other Assistance	303,029	360,307	(57,278)	(16)%
General Revenues:				
Interest Income	2,143	4,438	(2,295)	(52)%
Miscellaneous Income	<u>455</u>	<u>354</u>	<u>101</u>	29 %
Total Revenues	<u>894,741</u>	<u>985,639</u>	<u>(90,898)</u>	(9)%
Program Expenses:				
General Government-Judicial	<u>949,313</u>	<u>885,649</u>	<u>63,664</u>	7 %
Total Expenses	<u>949,313</u>	<u>885,649</u>	<u>63,664</u>	7 %
Increase (Decrease) in Net Assets	<u>\$ (54,572)</u>	<u>\$ 99,990</u>	<u>\$ (154,562)</u>	(155)%

Total revenues decreased by 9% (\$90,898) from the prior year, primarily because of a decrease of 13% (\$48,762) in revenues from other governmental units and of 16% (\$57,278) in grant revenues. Expenses increased 7% (\$63,664) from the prior year. The increase was primarily in the area of salaries and the addition of the probation department expenses. The net effect was a \$154,562 decrease in the total change in net assets for the year ended December 31, 2011 compared to the prior year increase.

Fund Financial Statements

The fund financial statements provide more detailed information about the individual funds, rather than the District Clerk's Fund as a whole. Funds are accounting devices used to keep track of specific sources of funding and spending for a particular purpose. The Judicial Clerk Fund maintains two governmental funds, the General Fund and a Special Revenue Fund-Children's Assistance. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for each of these funds.

As of our year end on December 31, 2011, our governmental fund (General Fund) reported a fund balance of \$430,374, which is 6% (\$26,252) less than last year's fund balance. During 2011, there was a 6% (\$48,708) decrease in revenues. Intergovernmental revenue had a 40% (\$69,563) decrease. Fee revenue increased 4% (\$9,145), primarily due to the collection of Union parish probation fees which began in 2011. Expenditures increased about 7% (\$48,895) over the prior year as described above. Capital outlay expenditures were \$9,228 which was a 33% (\$2,310) increase from the prior year. Although capital outlay expenditures in the fund financials reduced unrestricted fund balance, it created new assets for the Judicial Clerk Fund, as reported in the Statement of Net Assets.

There was a fund balance of \$203,068 as of December 31, 2011, in our special revenue fund, 3% (\$4,954) more than the prior year fund balance. During 2011, there was a 5% (\$8,647) increase in revenues, primarily due to an increase in children's assistance payments received from the state. Expenditures increased 9% (\$13,376) under the prior year. Capital outlay expenditures decreased less than 1% (\$2) from the prior year.

General Fund Budgetary Highlights

We amend our budget when we determine there are unexpected differences between actual and anticipated revenues and/or expenditures. Our final amended budget was adopted just prior to year end. The differences between the original and final amended budget were an 8% (\$55,392) increase in revenues and a 13% (\$88,750) increase in expenditures. The change in budgeted revenues was a \$32,000 increase in fees, representing a 15% change, to more closely match anticipated revenues. Budgeted salaries and benefit expenses was adjusted upward 20% (\$50,500) and drug court expenses were increased 8% (\$20,000) to more closely match anticipated expenditures. Probation department expenses of \$11,750 were budgeted. There were no other significant budget amendments.

Final budgeted amounts were 1% (\$3,964) more than actual revenues, and 1% (\$8,912) more than actual expenditures. We received \$58,647 (20%) more in grants than was budgeted. Intergovernmental revenue was \$56,222 (35%) less than budgeted. Salaries were \$39,158 (22%) more than the amount budgeted. Drug court expenses were \$34,241 (12%) less than was budgeted.

Capital Assets

In 2011, we purchased computer equipment. For the upcoming year, we plan to purchase some additional computer equipment and some office furniture, but there are no plans to issue debt to finance these purchases or of any other future project.

Currently Known Facts, Decisions, or Conditions

We are not aware of any facts, decisions, or conditions that are expected to have a significant impact on the financial position or results of operations after the reporting date.

Contact Information for the Judicial Clerk Fund

This financial report is designed to provide citizens and taxpayers with a general overview of the finances of the Judicial Clerk Fund and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Judge Jay B. McCallum at 100 W. Texas Avenue, 3rd Floor, Ruston, LA 71270.

GOVERNMENT WIDE FINANCIAL STATEMENTS

THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 448,911
Certificates of Deposit	145,394
Due from Other Governmental Units	92,235
Due from Others	1,507
Interest Receivable	89
Prepaid Insurance	5,607
Capital assets, net of depreciation	<u>22,994</u>
TOTAL ASSETS	<u>716,737</u>
LIABILITIES	
Accounts Payable	26,706
Accrued Liabilities	<u>20,780</u>
TOTAL LIABILITIES	<u>47,486</u>
NET ASSETS	
Invested in Capital Assets	22,994
Unrestricted	<u>646,257</u>
TOTAL NET ASSETS	<u>\$ 669,251</u>

See accompanying notes to financial statements.

THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES:					
General Government-Judicial	\$ <u>949,313</u>	\$ <u>387,203</u>	\$ <u>504,940</u>	\$ <u>0</u>	\$ <u>(57,170)</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>949,313</u>	\$ <u>387,203</u>	\$ <u>504,940</u>	\$ <u>0</u>	\$ <u>(57,170)</u>
GENERAL REVENUES:					
Interest Earnings					2,143
Miscellaneous					585
Loss on Sale of Capital Assets					<u>(130)</u>
TOTAL GENERAL REVENUES					<u>2,598</u>
CHANGE IN NET ASSETS					(54,572)
NET ASSETS - BEGINNING					<u>723,823</u>
NET ASSETS - ENDING					\$ <u>669,251</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Children's Assistance Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 257,903	\$191,008	\$ 448,911
Certificates of Deposit	145,394	0	145,394
Due from Other Governments	64,016	15,404	79,420
Due from Others	1,507	0	1,507
Interest Receivable	89	0	89
Prepaid Insurance	5,607	0	5,607
TOTAL ASSETS	<u>\$ 474,516</u>	<u>\$206,412</u>	<u>\$ 680,928</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 25,787	\$ 919	\$ 26,706
Accrued Liabilities	18,355	2,425	20,780
TOTAL LIABILITIES	<u>44,142</u>	<u>3,344</u>	<u>47,486</u>
FUND BALANCES			
Nonspendable -			
Prepaid Expenses	5,607	0	5,607
Restricted for -			
Children's Assistance	0	203,068	203,068
Unassigned	424,767	0	424,767
TOTAL FUND BALANCES	<u>430,374</u>	<u>203,068</u>	<u>633,442</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 474,516</u>	<u>\$206,412</u>	

Amounts Reported for Government Activities in the
Statement of Net Assets are different from those
reported above because:

Amounts receivable recognized in the Statement of Net Assets
not expected to be collected and available to timely pay current
period expenditures are not recognized as financial resources
and are not recorded as assets in the Governmental Fund
Balance Sheet

12,815

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the Governmental
Fund statements.

22,994

NET ASSETS OF GOVERNMENT ACTIVITIES

\$ 669,251

See accompanying notes to financial statements.

THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General</u>	<u>Children's Assistance</u>	<u>Total Governmental Funds</u>
REVENUES			
Fees Collected by:			
Lincoln Parish Sheriff	\$ 129,868	\$ 0	\$ 129,868
Union Parish Sheriff	46,061	0	46,061
Lincoln Parish Clerk of Court	13,312	0	13,312
Union Parish Clerk of Court	9,045	0	9,045
Union Parish Probation Fees	33,632	0	33,632
Intergovernmental:			
Lincoln Parish Criminal Court	51,820	0	51,820
Union Parish Criminal Court	52,558	0	52,558
State of Louisiana-Children's Assistance	0	172,148	172,148
Drug Court Revenue	39,818	0	39,818
Grant Revenue	347,647	0	347,647
Interest Income	1,319	824	2,143
On-Behalf Revenue	29,763	0	29,763
Other Income	585	0	585
TOTAL REVENUES	<u>755,428</u>	<u>172,972</u>	<u>928,400</u>
EXPENDITURES			
Judicial	772,910	167,156	940,066
Capital Outlay	9,228	862	10,090
TOTAL EXPENDITURES	<u>782,138</u>	<u>168,018</u>	<u>950,156</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(26,710)	4,954	(21,756)
OTHER FINANCING SOURCES			
Sale of Capital Asset	458	0	458
NET CHANGES IN FUND BALANCES	(26,252)	4,954	(21,298)
FUND BALANCES - BEGINNING	<u>456,626</u>	<u>198,114</u>	<u>654,740</u>
FUND BALANCES - ENDING	<u>\$ 430,374</u>	<u>\$ 203,068</u>	<u>\$ 633,442</u>

See accompanying notes to financial statements.

**THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS **\$ (21,298)**

Amounts reported for governmental activities in the Statement of Activities are different from those reported in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund balance on the previous page because:

Net revenues of \$12,816 recognized in the Statement of Activities that were not available to fund current period expenditures and are therefore not recognized as revenue in the Governmental Fund financial statements. Revenues of \$46,345 that were recognized in the Statement of Activities in the prior year but not in the fund financial statements were recognized in the current period fund financial statements (33,529)

Governmental Fund statements do not report a gain or loss on sale of assets. However, the Statement of Activities recognizes the gain or loss on the sale of assets. The net affect of the sale of an asset recognized in the Statement of Activities. (588)

Governmental Fund statements report capital outlays as expenditures. However, the Statement of Activities reflects capital outlays as an increase in capital assets and recognizes an economic cost of the asset as depreciation expense over the estimated useful life of the asset. Expenditures for capital outlays in the governmental funds of \$10,090 were more than the \$9,247 of deprecation expense in the statement of activities by \$843. 843

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (54,572)**

See accompanying notes to financial statements.

THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND PARISHES OF LINCOLN AND UNION, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011

The Third Judicial District Judicial Clerk Fund was established by legislative act. The act provides for the collection of fees in the form of court costs and fines, and provides for such secretarial, clerical, research, administrative or other personnel as are deemed necessary to expedite the business and functions of the court. The Judicial Clerk Fund may also be used to pay for establishing and maintaining a law library, equipment, supplies, and any other costs or expenses related to the proper administration of the court, except for the payment of judge's salaries. The Judicial Clerk Fund is composed of the parishes of Lincoln and Union located in north central Louisiana.

The financial statements of the Judicial Clerk Fund are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that do not conflict or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Judicial Clerk Fund are discussed below:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

For financial reporting purposes, in conformity with GASB Statement No. 14, the Judicial Clerk Fund of the Third Judicial District is a component unit of the Lincoln Parish Police Jury. For the purposes of this financial report, this component unit serves as the nucleus for its own financial reporting entity and issues separate financial statements.

BASIC FINANCIAL STATEMENTS, MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

The Judicial Clerk Fund's basic financial statements include both government-wide and fund financial statements.

Government-Wide Financial Statements

The government-wide Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. The Statement of Net Assets and Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. On the Statement of Net Assets, the net assets are reported in three parts as described below:

Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any outstanding debt used to finance those assets.

Restricted net assets - consist of net assets that are restricted by the Judicial Clerk Fund's creditors, by state enabling legislation, by grantors, and by other contributors. In situations where it is permissible to apply restricted resources, typically available restricted resources are depleted before consuming unrestricted resources.

Unrestricted - all other net assets are reported in this category.

The Statement of Activities reports both the gross and net cost of the judicial function. The function is supported by general government revenues. The Statement of Activities reduces gross expense (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants. The net costs are normally covered by general revenue.

This government-wide focus is on the sustainability of the Judicial Clerk Fund as an entity and the change in its net assets resulting from the current year's activities.

**THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The fund financial statements of the Judicial Clerk Fund reports the financial transactions in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The focus of the government funds' measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Judicial Clerk's Fund reports these governmental funds:

Governmental Funds

General Fund

The General Fund is the general operating fund of the Judicial Clerk Fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Judicial Clerk Fund uses the following special revenue funds:

Children's Assistance - To account for a 5 percent fee assessed in non-support cases which go through the state's Child Support Enforcement program. These fees are used to pay the salary of the hearing officer, appointed by the judges of the Third Judicial District to hear support and support related matters, and other expenditures incurred with the implementation of this procedure.

All government funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. An availability period of 60 days was used. Revenues accrued include fines (collected by another governmental unit and remitted to the Judicial Clerk Fund), intergovernmental revenues, fees collected by the court, and reimbursements for expenditures from the state. Revenues that are not considered susceptible to accrual include certain charges for fees. Expenditures are recorded when the related fund liability is incurred.

With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Any designations of fund balance represent tentative management plans that are subject to change. There were no such designations anytime during the year.

**THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND BALANCE

Beginning on January 1, 2011, the Judicial Clerk's Fund implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - amounts that are not in spendable form (such as prepaids) or are required to be maintained intact.

Restricted Fund Balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned Fund Balance - amounts the government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Judicial Clerk Fund administrator establishes (and modifies or rescinds) fund balance commitments by passage of an order by the Judges. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the Judges through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUDGETS AND BUDGETARY ACCOUNTING

The Judicial Clerk Fund prepares an operating budget on its General Fund and Special Revenue Fund for each year, including the year ended December 31, 2011. Budgetary amounts are prepared based on prior year actual operating revenues and expenditures. During November, the clerk submits to the district judges a proposed operating budget for the year commencing in the following January. The operating budget includes proposed expenditures and the means of financing them. During December, the budget is published in the official journal, made available for public inspection, and legally enacted through passage of an order. The district judges are authorized to transfer budgeted amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the judges. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. The budget is monitored and amended when anticipated amounts exceed budget amounts by more than 5%. State law requires budgets to be amended when anticipated amounts exceed budget amounts by more than 5%. Then General Fund and Special Revenue Fund were legally amended prior to year end by the district judges.

**THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CERTIFICATES OF DEPOSIT

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits with original maturities of three months or less from the date of acquisition. Under state law, the Judicial Clerk Fund may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with banks organized under the laws of any state of the United States, or under the laws of the United States. State law and the Judicial Clerk Fund's investment policy allows investment in collateralized certificates of deposit, which are reported at cost.

INTERFUND ACTIVITY

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. All transfers between individual governmental funds are eliminated on the Statement of Activities.

PREPAID INSURANCE

Payments made to insurance companies for insurance coverage that will benefit periods beyond December 31, 2011, are reported as prepaid items in the asset section of the Government Wide Statement of Net Assets and the Fund Financial Statements Balance Sheet.

CAPITAL ASSETS

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available and depreciated over their estimated useful lives. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. A threshold level of \$500 or more is used for capitalizing assets. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and Fixtures	10 - 15 years
Equipment	5 - 15 years

VACATION AND SICK LEAVE

The Judicial Clerk Fund has adopted a vacation and sick leave plan which allows a maximum of 12 days vacation and 12 days sick leave per year. Employees are not allowed to carry over the unused vacation or sick leave from year to year. Upon termination, accumulated vacation and/or sick leave lapses and no payments are made for the unused accumulations. There are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure at year end.

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT

At December 31, 2011, the Judicial Clerk Fund had cash and certificates of deposit as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>
Demand Deposits	\$ 448,911	\$ 0
Time Deposits	<u>0</u>	<u>145,394</u>
Total	<u>\$ 448,911</u>	<u>\$ 145,394</u>

**THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)

Cash consists of demand deposits. Deposits are carried at cost which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. Pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2011, the Judicial Clerk Fund has \$591,889 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and \$15,981 of pledged securities held by the custodial bank in the name of the fiscal agent. Even though the securities are considered uncollateralized under the provisions of GASB Statement 3, LSA-R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Judicial Clerk Fund that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Fees from -		
Lincoln Parish Sheriff's Office	\$ 9,521	\$ 0
Union Parish Sheriff's Office	2,371	0
Lincoln Parish Clerk of Court	1,024	0
Union Parish Clerk of Court	705	0
Union Parish Probation	110	0
State of Louisiana - Child Support Fees	0	15,404
Lincoln Parish Criminal Court Fund	5,391	0
Union Parish Criminal Court Fund	3,643	0
State of Louisiana-Supreme Court	41,251	0
TOTAL	<u>\$ 64,016</u>	<u>\$ 15,404</u>

NOTE 4 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2011, are as follows:

	<u>Balance 01/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/11</u>
Capital Assets at Cost				
Furniture and Fixtures	\$ 11,518	\$ 0	\$ 0	\$ 11,518
Equipment	88,529	10,090	649	97,970
TOTALS	<u>100,047</u>	<u>10,090</u>	<u>649</u>	<u>109,488</u>
Less:				
Accumulated Depreciation	77,309	9,247	62	86,494
Net Capital Assets	<u>\$ 22,738</u>	<u>\$ 843</u>	<u>\$ 587</u>	<u>\$ 22,994</u>

Depreciation expense of \$9,247 was charged to the general government judicial function in the Statement of Activities, of which \$6,909 was related to the general fund and \$2,339 was related to the children's assistance fund.

**THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

NOTE 5 - PENSION PLANS

The Judicial Clerk Fund contributes to the Louisiana State Employees' Retirement System (LASERS) and the Parochial Employees Retirement System of Louisiana (PERS). All employees are members of PERS if they are permanent employees working at least 28 hours a week and are not a member of LASERS.

The LASERS plan is a cost-sharing, multiple-employer, defined benefit pension plan, which is a statewide public retirement system for the benefit of state employees administered and controlled by a board of trustees. The retirement system provides retirement, disability, and death benefits to plan members and beneficiaries. The Louisiana Legislature establishes and amends benefit provisions. The retirement system issues a publicly available financial report. That report may be obtained by writing to Louisiana State Employees' Retirement System, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809, or by calling 1-800-256-3000.

Plan members are required to contribute 7.5% of their covered salary, and the Judicial Clerk Fund is required to contribute an actuarially determined rate. The rate for the plan years ended June 30, 2009 through June 30, 2012 was 18.5%, 18.6%, 22%, and 25.6%, respectively, of covered payroll. The contribution requirements of employers are established annually by the Board of Trustees based upon actuarially determined rates. The Judicial Clerk Fund made contributions for the years ending December 31, 2009, 2010, and 2011, of \$38,771, \$44,187, and \$54,994, respectively, which was the required contribution for each year from all funds.

The PERS plan is a cost-sharing, multiple-employer, defined benefit pension plan, which is administered and controlled by a board of trustees. The PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Louisiana Legislature establishes and amends benefit provisions. The PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Parochial Employees Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

The PERS has a Plan A and a Plan B; the Judicial Clerk Fund employees participate in Plan A. Plan A members are required to contribute 9.5% of their covered salary, and the Judicial Clerk Fund is required to contribute an actuarially determined rate. The rates for 2009, 2010, and 2011 were 12.25%, 15.75%, and 15.75%, respectively, of annual covered payroll. The contribution requirements of plan members and the Judicial Clerk Fund are established and may be amended by the Louisiana Legislature. The Judicial Clerk Fund contributions to PERS for the years ended December 31, 2009, 2010, and 2011 were \$14,103, \$18,132, and \$21,516, respectively, equal to the required contributions for each year.

NOTE 6 - ON-BEHALF PAYMENTS

Employees of the Judicial Clerk Fund received salaries and fringe benefits from the Lincoln Parish Police Jury. The following is a summary of these on-behalf payments:

General Fund

Salaries	\$ 25,350
Fringe Benefits	4,413
Total On-Behalf Payments	<u>\$ 29,763</u>

Fringe benefits paid by the Lincoln Parish Police Jury include pension plan contributions to the Parochial Employees Retirement System.

REQUIRED SUPPLEMENTARY INFORMATION

THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Fees	\$ 207,500	\$ 239,500	\$ 231,918	\$ (7,582)
Drug Court Income	35,000	35,000	39,818	4,818
Grants and Other Assistance	289,000	289,000	347,647	58,647
Interest Income	2,500	2,292	1,319	(973)
Intergovernmental	170,000	160,600	104,378	(56,222)
Miscellaneous	0	0	585	585
On-Behalf Revenue	0	33,000	29,763	(3,237)
TOTAL REVENUES	<u>704,000</u>	<u>759,392</u>	<u>755,428</u>	<u>(3,964)</u>
EXPENDITURES				
Capital Outlay	5,000	14,000	9,228	4,772
Computer Expense	13,000	26,500	27,568	(1,068)
Contract Services	10,000	12,500	10,709	1,791
Dues	1,750	1,750	3,204	(1,454)
Drug Court Expenses	260,000	280,000	245,759	34,241
Employee Benefits	92,000	129,500	118,917	10,583
FINS Expenses	30,000	30,000	31,850	(1,850)
Insurance	750	750	2,979	(2,229)
Library	14,000	3,500	3,296	204
Licenses and Permits	250	250	820	(570)
Office Expenses	32,450	22,450	21,052	1,398
Other	0	0	156	(156)
Payroll Taxes	7,000	7,000	5,243	1,757
Probation Expenses	0	11,750	10,701	1,049
Professional Fees	25,000	14,000	22,060	(8,060)
Rent	7,500	7,500	6,651	849
Repairs and Maintenance	1,000	6,500	7,374	(874)
Salaries	165,000	178,000	217,158	(39,158)
Telephone	17,000	19,000	16,499	2,501
Travel	18,600	24,100	20,914	3,186
Workers' Compensation	2,000	2,000	0	2,000
TOTAL EXPENDITURES	<u>702,300</u>	<u>791,050</u>	<u>782,138</u>	<u>8,912</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER				
(UNDER) EXPENDITURES	1,700	(31,658)	(26,710)	4,948
OTHER FINANCING SOURCES				
Sale of Capital Asset	0	0	458	458
TOTAL OTHER FINANCING				
SOURCES	0	0	458	458
EXCESS (DEFICIENCY) OF				
REVENUES OVER				
(UNDER) EXPENDITURES				
AND OTHER SOURCES	1,700	(31,658)	(26,252)	5,406
FUND BALANCE - BEGINNING	0	456,626	456,626	0
FUND BALANCE - ENDING	\$ <u>1,700</u>	\$ <u>424,968</u>	\$ <u>430,374</u>	\$ <u>5,406</u>

THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA

BUDGETARY COMPARISON SCHEDULE-SPECIAL REVENUE FUNDS
DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental	165,000	140,000	172,148	32,148
Interest Income	<u>2,396</u>	<u>900</u>	<u>824</u>	<u>(76)</u>
TOTAL REVENUES	<u>167,396</u>	<u>140,900</u>	<u>172,972</u>	<u>32,072</u>
EXPENDITURES				
Capital Outlay	3,354	3,075	862	2,213
Contract Services	8,250	11,500	12,122	(622)
Court Reporter Fees	1,750	1,750	1,702	48
Dues	719	719	155	564
Employee Benefits	15,333	0	11,031	(11,031)
Insurance	1,917	2,600	1,804	796
Office Expense	3,450	3,996	4,288	(292)
Other	0	0	294	(294)
Payroll Taxes	958	0	1,025	(1,025)
Professional Fees	6,875	7,600	9,181	(1,581)
Repairs and Maintenance	96	95	2,762	(2,667)
Rent	11,500	13,500	12,000	1,500
Salaries	109,764	128,500	108,153	20,347
Supplies	0	0	133	(133)
Training and Seminars	216	916	200	716
Travel	<u>2,000</u>	<u>2,000</u>	<u>2,306</u>	<u>(306)</u>
TOTAL EXPENDITURES	<u>166,182</u>	<u>176,251</u>	<u>168,018</u>	<u>8,233</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER				
(UNDER) EXPENDITURES	1,214	(35,351)	4,954	40,305
FUND BALANCE - BEGINNING	<u>0</u>	<u>198,114</u>	<u>198,114</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 1,214</u>	<u>\$ 162,763</u>	<u>\$ 203,068</u>	<u>\$ 40,305</u>

OTHER REPORTS AND SCHEDULES

DON M. MCGEHEE
(A Professional Accounting Corporation)

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Ruston, Louisiana 71273-1344

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Third Judicial District Judicial Clerk Fund
100 W. Texas Ave., 3rd Floor
Ruston, Louisiana 71270

I have audited the financial statements of the governmental activities and each major fund of the Third Judicial District Judicial Clerk Fund, a component unit of the Lincoln Parish Police Jury, as of and for the year ended December 31, 2011, which collectively comprise the Judicial Clerk Fund's basic financial statements and have issued my report thereon dated June 30, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Judicial Clerk Fund's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Judicial Clerk Fund's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Judicial Clerk Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

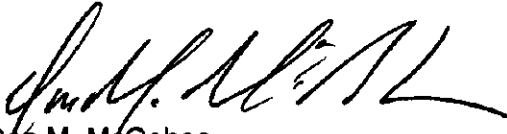
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did identify a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as #2011-1, that I consider to be a material weakness, as described above. I did not identify any deficiencies in internal control over financial reporting that I consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Judicial Clerk Fund's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

The Judicial Clerk Fund's response to the finding identified in my audit is described in the accompanying schedule of management's corrective action plan. I did not audit their response and, accordingly, I express no opinion on it.

This report is intended solely for the information of management, the Third Judicial District Court Judges, federal awarding agencies and pass-through entities, and the Office and the Legislative Auditor of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Don M. McGehee
Certified Public Accountant
June 30, 2012

**THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

I have audited the financial statements of the Judicial Clerk Fund as of and for the year ended December 31, 2011, and have issued my report thereon dated June 30, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2011 resulted in an unqualified opinion. The following is a summary of my audit observations on internal control, tests of compliance, and findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards:

Section 1 Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☒ Yes ☐ No Significant Deficiency ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

Section 2 Financial Statement Findings

Finding 2011-1. Separation of Duties. The Judicial Clerk Fund's Office has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

**THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section 1 Financial Statement Findings

<u>Findings</u>	<u>Status</u>
2010-1. Separation of Duties. Too few personnel involved in the accounting system to have adequate separation of duties for internal control.	Unresolved. See Finding 2011-1.

**THIRD JUDICIAL DISTRICT JUDICIAL CLERK FUND
PARISHES OF LINCOLN AND UNION, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2011**

Section 1 Financial Statement Findings

Findings

2011-1. Separation of Duties. Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Response

The Judicial Clerk's Fund has an accounting workload that can be easily managed by a few employees. The hiring of additional employees to provide enhanced internal control does not appear to be the best use of resources.